DOCUMENT RESUME

ED 211 806 CE 031 090

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TITLE Getting Down to Business: Auto Body Shop, Module 31. [Student Guide]. Entrepreneurship Training Components.
INSTITUTION American Institutes for Research in the Behavioral Sciences, Palo Alto, Calif.
SPONS AGENCY Office of Vocational and Adult Education (ED), Washington, D.C.
PUB DATE May 81
CONTRACT 300-79-0535
NOTE 99p.; For related documents see CE 031 026-101 and CE 031 324.
AVAILABLE FROM Wisconsin Vocational Studies Center, 964 Educational Sciences Bldg., Madison, WI 53706 (Order No. ETC100KK1, $6.00. 25% discount on 100 or more of same title. Complete set--ETC100--$200.00).

EDRS PRICE MF01/PC04 Plus Postage.
DESCRIPTORS Administrator Role; Advertising; *Auto Mechanics; *Business Administration; *Business Education; *Business Skills; Financial Support; Learning Activities; Learning Modules; Money Management; Recordkeeping; Salesmanship; Secondary Education
IDENTIFIERS *Entrepreneurship; *Small Businesses

ABSTRACT

This module on owning and operating an auto repair shop is one of 36 in a series on entrepreneurship. The introduction tells the student what topics will be covered and suggests other modules to read in related occupations. Each unit includes student goals, a case study, and a discussion of the unit subject matter. Learning activities are divided into individual activities, discussion questions; and a group activity. Units (and subject matter) in this module are planning your business (personal qualities; trends; services; customers; competition; special services; permits); choosing a location (picking an area; picking a building); getting money to start (business description; statement of financial need); being in charge (dividing the work; hiring workers; training workers; keeping your workers happy); organizing the work (describing the work; scheduling the work; checking the work); setting prices (two ways of pricing; cost of goods sold; operating expenses; profit; competition; customer demand); advertising and selling (how to plan your advertising; what media to use; what to say in your ads); keeping financial records (cash and credit; work order form; daily cash sheet); and keeping your business successful (profit/loss statement; keeping profits high; changing or improving your services). A summary and quiz complete the document. (A teacher's guide is available for this module.) (CT)

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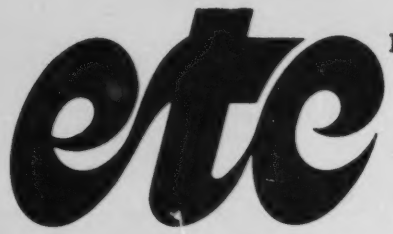

Entrepreneurship Training Components

GETTING DOWN TO BUSINESS:

Auto Repair Shop

Module 31

CE031080

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GETTING DOWN TO BUSINESS:

Auto Repair Shop

Carolyn McFarlane

May 1981

Developed at the American Institutes for Research
under support from the
Office of Vocational and Adult Education
U.S. Education Department

The Entrepreneurship Training Components are based on information from many sources. Special acknowledgement is due the Small Business Management and Ownership materials designed and tested by CRC Education and Human Development, Inc. for the U.S. Office of Education's Bureau of Occupational and Adult Education. Special thanks are owed the entrepreneurs who shared their experiences during the preparation of this module.

TABLE OF CONTENTS

Introduction 1

Unit 1
Planning an Auto Repair Shop 3
Learning Activities 11

Unit 2
Choosing a Location 15
Learning Activities 21

Unit 3
Getting Money to Start 25
Learning Activities 32

Unit 4
Being in Charge 35
Learning Activities 42

Unit 5
Organizing the Work 45
Learning Activities 52

Unit 6
Setting Prices 55
Learning Activities 62

Unit 7
Advertising and Selling 65
Learning Activities 72

Unit 8
Keeping Financial Records 75
Learning Activities 82

Unit 9
Keeping Your Business Successful 85
Learning Activities 93

Summary 95

Quiz 97

INTRODUCTION

How are you going to use your job skills after you finish school?

Have you ever thought about starting your own auto repair shop?

This module describes people who have started and managed auto repair shops. It gives you an idea of what they do and some of the special skills they need.

You will read about

- planning an auto repair shop
- choosing a location
- getting money to start
- being in charge
- organizing the work
- setting prices
- advertising and selling
- keeping financial records
- keeping your business successful

You will also have a chance to practice some of the things that auto repair shop owners do.

Then you will have a better idea of whether a career as an auto repair shop owner is for you.

Before you study this module, you might want to read Module 1, Getting Down to Business: What's It All About?

When you finish this module, you might want to read

- Module 2, Getting Down to Business: Farm Equipment Repair;
- Module 10, Getting Down to Business: Bicycle Store.

These modules are related to similar businesses.

UNIT 1

Planning an Auto Repair Shop

Goal: To help you plan your auto repair shop.

Objective 1: Describe the services, customers, and competition of an auto repair shop.

Objective 2: List three personal qualities a car repair shop owner might have.

Objective 3: List three ways to help your business compete successfully.

Objective 4: List one legal requirement for running this business.

9

FROM MECHANIC TO BUSINESS OWNER

Matthew Zarcone had worked for 10 years as an auto mechanic. "After studying auto repair in high school, I got a job with a car dealer doing maintenance work and regular check-ups on new cars. Then I was a general mechanic in a gas station. Now I'm working at Larry's German Cars, doing brake work. I'm tired of working for someone else. I'd like to start my own shop."

Matt decided to start fixing his friends' cars at nights and on weekends while he was still working at Larry's. Larry said: "I don't care if you take some of my customers, too. We always have too much work to do anyway." Matt thought he could work at home. But he found out that the town zoning department didn't allow backyard car repair businesses. So he found an empty service bay he could use off-hours for free.

Matt studied what other shops in his area were doing. Most were so busy that they took customers by appointment. Some foreign car repair shops weren't doing so well--too much competition. Several gas stations that did small jobs had closed down during the time when gas was especally scarce. In other shops, customers had to leave their cars for a long time.

Matt decided to do some small jobs (oil changes, lubes, tuneups), plus his favorite--brake work. He figured that it would be cheaper and easier to "specialize" than to start a general repair shop. "I can be really good and do the work more quickly than other shops. Customers at Larry's are always complaining about leaving their car all day. I can charge less because I'll buy my supplies in large quantities. And I'll have less equipment to buy."

He decided to call his business In-and-Out Car Repair. He would give faster, better service than his competition at lower prices. He could do oil changes, lubes, and tuneups in less than an hour. Brake jobs would take longer, but Matt would promise "in by 9, out by 1."

Planning an Auto Repair Shop

There are many, many small businesses in America. Small businesses can have as few as one worker (the owner) or as many as four workers. A small business owner is "self-employed." Often a whole family works together in a small business.

Matt's business is part of one of our country's largest industries--the automobile industry. One out of every six American workers is in a business that makes, sells, or services cars or car products. Some of these businesses are very large, such as the companies that make the cars. Many others are medium-sized, like some of the car dealers that sell and service new cars. Others, like auto repair shops and gas stations, can be quite small. In this module, we will be talking about small auto repair businesses that:

- are owned by one or two people;
- have a small number of employees (four or less); and
- repair or maintain cars.

In deciding whether to start a small repair business, you should do the following planning.

- Decide whether you're right for this kind of business.
- Study trends in the business, the services you can offer, and the customers and competition you'll have.
- Choose the special ways you plan to compete.
- Find out about legal requirements for this kind of business.

Personal Qualities You'll Need

You should have certain personal qualities to succeed as a car repair shop owner. You should:

- like cars and work well with tools and machines;
- be willing to keep up to date on new information about cars;
- have good business sense;
- work well with people (both customers and workers); and
- be strong, healthy, and willing to work hard.

Having schooling and experience in business and car repair is important. You should try hard to make your business succeed. This means working long, hard hours to get the business going and keep it running. As Matt put it, "Being a small business owner is hard but rewarding. You've got to think, eat, and sleep your business. Then you'll probably do well and be happy."

Trends

There are many things happening in the world today that affect automobile businesses. Some of these trends include:

- the high cost of new cars;
- popularity of small, foreign cars;
- decreased number of gas stations doing car repair;
- increased interest in saving gas and keeping the air clean; and
- greater demand for quick service.

Matt thought about all these trends in planning his business. He decided that his chances of doing well with some kind of auto repair shop were pretty high since demand for repair services in his town was high. If he offered specialized, quick service he'd have even a better chance of success.

Services

You can start almost any kind of auto repair shop you want. Basically, though, there are four kinds.

1. General repair shops--These are shops that offer many services for many kinds of cars.
2. Specialty shops--These are shops that specialize in certain kinds of cars, such as:
   - American cars;
   - foreign cars; and
   - "antique and classic" cars.
3. Special service shops--These shops offer certain kinds of services, such as:
   - electrical systems;
   - engines;
   - transmissions; and
   - brakes.
4. The "other" shops--These shops offer "other" services, such as:
   - diagnostic and inspection service;
   - body repair and painting; and
   - customizing (sun roofs, special trim, etc.).

Customers

Since most people own cars, your shop will probably have customers of various ages and backgrounds. In general, people coming to your shop will be those who:

- live in your area;
- have the kind of car you work on; and
- need the kind of service you offer.

The more you specialize, the more your customers will be alike. For example, if you repair Mercedes only, your customers will probably all be wealthy people with high-quality tastes. Once you decide on the services you'll offer, you'll have a better idea of whom your customers will be.

Competition

Auto repair shops have several kinds of competition:

- car dealers (businesses chosen by the manufacturers to sell and service their brand of car);
- gas stations (businesses that sell gasoline and other car products and do certain repair services); and
- other car repair shops (both those offering general and special services).

Special Ways to Compete

Like Matt, you must make your business better or different from your competition in order to attract customers. Extra services you can offer include:

- free pick-up and delivery of cars;
- free towing;
- free diagnostic checks;
- 24-hour emergency service; and
- special guarantees on your work.

You should decide what your services will be and what extras you'll offer. Then you should decide on your business image. Decide what you want people to think about when they hear about your business. For Matt, it was "quick service by skilled workers." Then advertise your business image. Let customers know how you're different.

Permits

To open your shop, you'll need to get business permits, such as:

- a permit from the State Bureau of Automotive Repair;
- a local business license (from the town you're located in);
- local building and zoning permits; and

- a permit from the State Sales Tax Agency (for selling parts to customers).

You should contact your state business licensing agency to learn what you need to do in your state.

Summary

You should spend time planning your business before you open the doors. Study business trends, possible services, customers and competition. Decide on your services and your business image. Then get the business permits your state and town require.

Learning Activities

Individual Activities

1. Would you like running an auto repair shop? Check each statement below that fits you.

   _____ I don't mind hard work.

   _____ I like working with cars.

   _____ I can handle people well, even if they're in a bad mood.

   _____ I'm good at explaining things.

   _____ I can get people to follow my directions.

   _____ I don't mind doing paperwork.

   _____ I like hearing or reading about small businesses other people have started.

2. a. List several shops in your area that specialize in different kinds of services. List the name of each shop and the special services it offers.

   b. List several auto repair shops in your area that only fix certain kinds of cars.

   c. List "extra" services (like free towing) that various shops give.

3. Are there any car repair shops (not gas stations) in your area that are small (four workers or less)? List one.

4. Call your local City Clerk and ask about the kinds of permits your town requires to start a car repair shop. Find out state requirements too if you can.

Discussion Questions

1. Do you think Matt made good decisions about the services to offer in his shop? Do you think his idea for a business image will help make his business successful?

2. Look at the list of trends affecting businesses in the text. List other trends you can think of. What does each trend suggest to you about whether auto repair shops will continue to be popular in the U.S.? What kinds of auto repair shops do you think will be successful? What kinds of auto-related services do you think will be successful?

3. What training, experience, and other resources do you think you should have before opening a auto repair shop? Could you start one right after high school?

Group Activity

Locate the owner of a small auto repair shop near you. Invite that person to visit your class to share his or her experiences in running the business. Make up a list of questions to ask the visitor such as the following.

- What kind of education and work experience do you have?
- Why did you decide to open your car repair shop?
- How much time did you spend planning your business before you opened? What did you do?
- What services do you provide?
- Who is your competition? How is your business different and better?
- How did you decide on a location?
- How much money did it take to get started? Where did you get it?
- What are the responsibilities you have in running the business?
- What is a typical day like for you?

- What personal qualities are important in an auto repair shop owner?
- What things do you especially like about running your business? What things do you dislike?
- If you had it to do over again, would you start a car repair shop?

UNIT 2

Choosing a Location

Goal: To help you choose a location for your business.

Objective 1: List several things to think about in picking an area and a building for your business.

Objective 2: Pick the best location for an auto repair shop from three choices.

MATT SETS UP SHOP

Matt's business on the side kept growing. He thought the idea of "going it on his own" was a good idea. He decided to quit work at Larry's and run his own business full-time. He made a list of all the other shops that specialized in tuneups and brakes. He marked their locations on a city map and found an area--the northeast part of town--where there were no marks. The place he was using at night was in this area. There was a large shopping mall there and lots of traffic. Matt thought that there would be enough customers in that area who would want his services.

He looked for a building that he could use. He found one closed gas station that was for rent from the oil company. It was fairly expensive and was on a side street. Matt didn't think that the building was in a busy enough area to succeed as a quick-service repair shop.

Matt also thought about buying land near the shopping mall and building his own shop. Then he could have just the layout he wanted. He dropped this idea quickly when he found out how much a new building would cost, plus the land.

Matt was having trouble deciding what to do. One evening he talked to Tom at the U-Serve Station. "We've decided to stop servicing cars," said Tom. "We're making lots of money on gasoline and would like to avoid the hassle of repairs. Our mechanics keep quitting anyway. You can rent our garage for a low price each month. You'll have to change the shop a little for your business. But if you want it, it's yours!"

Matt knew that Tom had a healthy business. He could refer his gasoline customers to Matt for repair work. The station was on a fairly busy street and was in the northeast part of town. Matt's present customers already knew where it was. When Tom told him the price, Matt decided to take it.

Matt made plans to pave an area on the side of the garage for parking and to put in doors in the back of the service bays. He also got permission from the city to put an exit on the street behind the station. Matt got a big sign to put up next to Tom's. He signed papers with Tom to lease the space for three years, at $400 a month.

Choosing a Location

In deciding where to locate your car repair business, you will need to study your customers and competition and the spots that are available. You should pick an area where you'll be able to attract a lot of business. You'll also need to pick a building that is well-suited to the kind of work you'll be doing.

Picking an Area

First you should choose a town (and part of town) where you want to start your shop. You should consider the following.

Close to customers. Make sure that you locate your shop in a part of town where there are people who need and can afford your service. The more you specialize, the more careful you need to be about locating near enough people who will want your service. For example, you may want to repair repair a certain kind of expensive car only. Then you may not do well in a lower income town. You may be the only one in the area to do a certain kind of repair that people need, however. Then your customers will be willing to drive a distance to find you.

Far from competition. Most towns have many car repair shops. You probably won't be able to locate far away from all of them. However, you should not locate next door to a shop offering the same services you do. If a car repair shop offers different services, it might be fine to locate nearby. Then the other shop might refer some customers to you for repair work that they do not do.

Convenient. You location should be fairly easy to find and to get to. If you're a "quick service" shop, you should probably locate on a

main road so people can save time finding you. If you're a general or specialty shop, you probably won't need a central location. If you do good advertising and offer good services, people won't mind coming to you on a side street. However, if possible, all owners should choose a spot that is close to the street and that is not blocked by heavy traffic or parked trucks.

Check out the success of other car repair businesses in the area. Especially look at the past business in the spot you are interested in. If they haven't done well, find out why. Can you do something different to succeed? If not, pick another location with a better business history.

Picking a Building

There are several ways you can get a building to use for your shop. You can build your own garage, buy one that is for sale, or rent (or lease) one. If your town permits, you can also work out of your own home. Another idea is to sublease space from another business. For example, you may be able to lease the garage area from a gas station that has changed to "gas only" (like Matt did). You might also be able to rent one or two service bays from a larger car repair shop. You would do that only if your two businesses offer different services. You should try to lease or sublease if possible. These are less expensive ways than building or buying.

In picking a place to set up your shop, you should look for a building that has the following features.

It has enough space. To start, you will need one or two service bays where you will do your repair work. You will need storage space for tools, parts, and equipment. You'll need a small office to do your bookkeeping, plus a waiting area for customers. You should have a large driveway so customers can enter easily. You should also have enough space to park customers' cars before and after you work on them.

It has the right equipment or can be changed easily. Your shop will need hydraulic lifts so you can work on your customers' cars. It also should have oversize doors so cars can enter easily. If you have a "drive through" repair shop, you'll need doors at the front and back of your garage. Try to pick a building that has much of what you need. The spot you pick may not have everything, however. If not, you'll have to have certain equipment installed or changes made. Remember to include the cost of changes in figuring out how much money you'll need.

It is in good shape. Your building should have sturdy walls, a roof that doesn't leak, and good heating, plumbing, and wiring. It doesn't have to be "elegant." But it should be neat and nicely painted. Keeping tools and paperwork out of the way and cleaning up oil spills will also help to keep customers.

It is the right price. You'll need more space and more equipment for your repair shop than many other small business owners will. Try to find a building that meets your needs and costs as little as possible. The money you save in building costs can be used to buy more repair equipment.

Summary

Choosing a location for your car repair shop is an important decision. You should find an area that has enough customers and that is not close to your main competition. Your building should be large enough, in good condition, and as inexpensive as possible.

Learning Activities

Individual Activities

1. For each of the following kinds of car repair shops, find the location that would be best. Use each answer only once.

_____Quick-tune shop	a. Garage on a side street that has been occupied by several car repair businesses in the past two years
_____Small foreign car repair shop	b. Well-equipped shop on the edge of a large city
_____Shop servicing just one make of foreign car	c. Small garage on a main street near several foreign and American car repair shops
	d. Garage located near middle-income apartment buildings

2. List three kinds of space an auto repair shop needs.

3. Assume that you want to open an auto repair shop like Matt's in your area. Do the following research:

   a. Make a list of the other shops doing the tuneup and brake work that would be your competition and where they are located.
   b. Talk to a few possible customers. Find out whether they would be interested in coming to your shop.
   c. List several streets where you might want to locate.

Discussion Questions

1. Do you think Matt made a good choice of location? List other places he could have collected information.

2. Based on what you learned in the Individual Activities question #3, do you think it would be wise to start a quick-tune and brake shop in your town? Why, or why not? What area would you consider ideal?

3. A central convenient location is more important for certain kinds of auto repair shops than for others. Why?

Group Activity

Do the following activity in a small group. Think of a certain kind of auto repair shop (for example, a shop that repairs one foreign make). Find the best location for this kind of shop in your town. You may decide that an existing car repair business has the best spot. Or you may find another spot that you think is better.

1. Make a list of the existing businesses of this kind in your town. Mark on a map where they are located.
2. Circle areas where you think possible customers of this kind of shop live.

3. Ask a realtor where he or she thinks the best new location would be.
4. Mark the location you choose on your map. Explain to the class why you made the choice you did.

UNIT 3

Getting Money to Start

Goal: To help you plan how to get money to start your business.

Objective 1: Write a business description for your auto repair shop.

Objective 2: Given starting expenses for your auto repair shop and your money on hand, complete a statement of financial need.

LOAN OFFICER

MATT LINES UP THE NEEDED FUNDS

Matt needed a business loan to get his shop off to a good start. He met with his accountant Peter and planned how much he'd need. He had $15,000 of his own money. Some of this he'd saved over the years. Some of it came from selling an old Model-T he'd bought and fixed up. He decided to put $10,000 into the business. He would use the other $5,000 to live on until his business started making a profit. He'd also use his wife's income. Peter seemed to think he could "break even" in around six months. Matt's Aunt Sarah was excited about his idea. She wanted to invest $10,000 in the business.

Matt figured his biggest expenses to start would be equipment, furniture, parts, supplies, and renovations. He already had a good set of hand tools. He could buy a scope for $5,000 and a used brake lathe for $2,500. A battery charger would cost around $1,500. A nice sign for the front of the shop would cost $500. It would take another $500 to get a used desk and file cabinet.

Matt also needed a fairly large inventory of auto parts: brake shoes (many different sizes), $1,000; spark plugs, $1,500; oil filters and other parts, $500. Shop supplies would cost another $1,000 to start, and office supplies would cost $510. The state also required him to pay $1,000 ahead of time to cover sales tax he'd collect.

The work on the garage and the driveway (improvements) would cost around $2,000. Other start-up expenses included advertising, insurance, business permits, accountant and lawyer fees, and deposits for rent and utilities.

Peter helped Matt to figure out his operating expenses for the first six months. They included the money Matt would need to pay the part-time mechanic he'd hire in 3 months. They prepared a statement of financial need. They also wrote a business description telling how Matt got his idea, why he thought it was a good one, and how he planned to make it work. There were other forms to fill out, too. But finally Matt was ready for the loan interview.

Getting Money to Start

Starting a car repair business takes more money than many other small businesses. You will have all the usual start-up expenses. You will also have to spend a lot of money on equipment, parts, and other supplies. You will probably need to get a business loan from a bank or other lending agency. To prove you're a good business risk, you'll need to give the bank the following information: information about yourself (a resume), a description of your business, and financial information about your business. Two forms you'll need to complete are discussed below.

Business Description

Loan officers will want to know the kind of repair shop you are starting and how you will run it. They will want to know how carefully you have planned your business and its chances for success. Your business description should be written clearly and simply. It should tell the lender:

- the kind of business you have and the services you will provide;
- the location of the business and why you chose it;
- the customers you plan to serve;
- the competition you have;
- how you've made your business special in order to succeed (business name, special services, etc.); and
- your plans for growth.

Statement of Financial Need

The statement of financial need tells the bank how much money you have and how much you need to borrow. The form Matt filled out for his repair shop appears below. The form you'll use for your business may not look just like this, but it should contain the same information.

STATEMENT OF FINANCIAL NEED

Expenses (first 6 mos.)		Money on Hand	
Start-up Expenses		Owner's Cash on Hand	
Rental Deposit	$ 600		
Utilities Deposit	150	Investment by Relative	
Repairs and Renovations	2,000		
Equipment and Furniture	10,000	TOTAL MONEY ON HAND	
Auto Parts & Supplies	4,000		
Office Supplies	510		
Advertising	1,000		
Other	1,000		
TOTAL START-UP EXPENSES			
Operating Expenses and Costs (first 6 months)		TOTAL EXPENSES	
Salary for part-time mechanic (700 x 3)		TOTAL MONEY ON HAND	
Payroll Taxes (70 x 3)		TOTAL BUSINESS LOAN NEEDED	
Rent (600 x 6)			
Utilities (150 x 6)			
Equipment (50 x 6)			
Auto Parts & Supplies (800 x 6)			
Office Supplies (30 x 6)			
Advertising (800 x 6)			
Other (200 x 6)			
TOTAL OPERATING EXPENSES AND COSTS			
TOTAL EXPENSES (6 mos.)			

The left side of the form lists the amount of money you think you'll need for the first few months of business. This includes start-up expenses and expenses to operate the business until you have enough customers for your business to pay for itself. It will probably take you six months to a year to break even in your auto repair business.

Start-up expenses include rent and utility deposits, repairs and changes to the building (renovations), and advertising. Auto parts, tools, and equipment you'll need will depend on the car repair services you plan to offer. Supplies for the shop include oil, grease, brake fluid, cleaners, etc. You'll also need office supplies like paper and pens.

Other expenses you'll have are business permits and lawyer and accountant fees. You'll probably have to put money in your state tax fund before you even start your business. Working in an auto repair shop can be dangerous. Your customers, too, can be injured in their cars because of mistakes you make. So you'll need a lot of business insurance.

Monthly operating expenses are money you will spend every month on parts, supplies, rent, advertising, salaries, etc.

Money on hand includes your own money and personal gifts, loans, and investments. Banks usually require you to have a fairly large amount of money on hand in order to get a business loan. Most lending agencies require you to supply at least one half of the total amount needed. It may take several years of saving to get enough. You may also have to "scramble" to get additional money from family and friends.

To figure out the total business loan needed, you subtract your money on hand from total expenses. The bank will look at your form and decide if they are willing to lend you this amount. The bank may decide that you haven't planned well enough. You may need more money than you thought. If the bank thinks that your business is headed for success, they may actually give you more money than you ask for. They may also offer you less.

It is important to think carefully about how much your expenses will be and how much money you will need. If you ask for too much, you may not get the loan. If you ask for too little, your business may go broke.

Summary

In applying for a loan, you will need to give certain information to the bank to show that you will be a good business manager and that your business has a high chance of success. You will need to write a business description and a statement of financial need. The amount you will need to borrow depends on your start-up and monthly expenses and the money you already have on hand.

Learning Activities

Individual Activities

1. Below is a list of things you may need to start your own auto repair shop. In the blanks, indicate whether each item is equipment (E), parts (P), or supplies (S).

_____Antifreeze	_____Oil filters
_____Brake lathe	_____Spark plugs
_____Brake shoes	_____Timing light
_____Dynamometer	_____Transmission fluid
_____Grease gun	
_____Motor oil	_____Wheel balancer

2. Write a business description for In-and-Out Car Repair. Include two or three sentences about each of the six topics mentioned in the text. Remember that this description should show the bank that Matt's business is well planned and likely to succeed.

3. Write a short definition for the word "resume." List five pieces of information Matt should include in his resume. You may use information you have gotten from other classes or jobs. You may also ask a parent, friend, or teacher.

4. Complete Matt's statement of financial need:
   - Add up all his start-up expenses.
   - Figure out six-month figures for each type of operating expense.
   - Add up all his operating expenses for the first six months.
   - Figure out Matt's total expenses (start-up expenses plus operating expenses).
   - Fill in owner's cash on hand and investments, and figure out the total money on hand.
   - Calculate the total business loan needed.

Discussion Questions

1a. What does it mean for a business to "break even?" Why do you think it would take a car repair business several months or a year to break even? What usually happens after a business reaches this point?

b. How much did Matt need to sell in his business in a month to break even? Why did he need about $40,000 before he even opened his shop at Tom's gas station?

2. How do you think the costs of starting a "quick tune" business like Matt's would compare with the costs of starting a general repair shop? Do you think it is possible to start either type of business "on a shoestring?" If so, give suggestions on how.

3. Suppose you are a banker and you talk to the following people wanting business loans. Would you approve their loans? Why, or why not?

   a. A woman wants to start a foreign car repair shop. She has talked to other mechanics in the area and thinks the business will do well. She has been a mechanic on Japanese cars in another city for six years. She has no training in business. The woman has $5,000 and asks to borrow $35,000.

b. A man comes to borrow money to start a muffler shop. He studied mechanics in school but has never worked as a mechanic. He has, however, managed a large landscaping business. He also has written a good business description. He has $25,000 and wants to borrow $20,000.

c. A man wants to start a repair shop like the shop of his former boss. His boss' shop is quite successful and is located two blocks away. He has 30 years experience as a mechanic and seven as a service manager. He is known as the best mechanic in town. He gives you his last bank statement from his checking account. He adds a list of the equipment he thinks he'll need.

Group Activity

Do the following in a small group. Figure out how much money you'd need to start the kind of car repair shop you've picked. Use the information about Matt's shop as a guide for costs. You may also talk to a shop owner, especially about costs of the special equipment, parts, and supplies you'll need.

1. Fill out a statement of financial need based on your research. For money on hand, fill in an amount that you think you could save and borrow in a few years. Make sure the amount is high enough that your loan will be approved.

2. Attach a list of the specific equipment, parts, and shop supplies you will need. Put rough prices for each.

UNIT 4

Being in Charge

Goal: To help you plan how to hire and train workers.

Objective 1: Decide how to divide the work of your auto repair shop among several employees.

Objective 2: Pick the best person for a mechanic job in your shop.

Objective 3: List three kinds of training your mechanics should receive.

MATT HIRES HIS FIRST EMPLOYEE

Matt opened his shop and began tuning cars. He also did oil lube jobs and fixed brakes. Most of his former customers came to his shop. He got a few new ones each week. Soon he needed help. "I don't have enough business yet to fill every hour of the day, five days a week. But I need to order parts, keep records, and plan my advertising. I also want to take a few classes in managing a business. If I do all the mechanic work that is coming in, I won't have time to keep all the other parts of the business running.

"I used to think that sitting at a desk thinking was an easy job. Now I know it takes lots of energy. It's also lots of fun. In fact, I think I'm getting to enjoy dealing with customers and planning the business more than fixing brakes. They're two different kinds of work. It's hard to make the shift. But I think I'm doing it."

Matt knew lots of mechanics in town. He asked them to send in their friends who were looking for work. He also put an ad in the local newspaper for a part-time mechanic with two years' experience. This person would mainly do brake work. But the person also would do the other repair work when needed. Matt would do the smaller mechanic jobs, deal with customers, and handle other business matters.

Out of seven applicants, Matt chose the person with the right experience and the best references. This was a woman named Meg Bishop. The hours were just what she wanted since she was taking more car repair classes at night. Matt promised to give her some training, too. That way she could pass the state test and become a certified mechanic.

Matt and Meg got along well. She came to work when she was supposed to and worked hard. She was good with customers. But she preferred to have her head under the hood of a car. She was also willing to take over Matt's repair jobs if he had to leave the shop on business.

Being in Charge

When you first start out, you may not have any employees. Soon you'll probably want to hire one or more workers. You have to decide what work you want them to do. Then you have to hire and train them and keep them happy.

Dividing the Work

There are lots of tasks to be done in a car repair shop. Before you hire a single employee, you'll have to decide what you want him or her to do. You must also decide which tasks you want to do yourself. You should make a list of all the tasks and then decide how to divide the work. Your results will look something like the following.

Doing the repair work. Unless your business is very small, you'll probably want to hire one or more mechanics. You may want them to work on all types of repair work or to specialize. For example, you may want a transmission person, a brake specialist, an engine mechanic, or someone to do oil changes and lubes. Even specialists should be able to shift to other jobs if needed.

Buying parts and supplies. This involves knowing what parts to order, when, and how many. You'll talk to wholesalers and find the best products at the lowest prices. You'll have to make sure that your shop has all the parts and supplies you need on any given day. You should keep good inventory records of what you have. You can do this yourself or have an employee do it.

Talking to customers and managing other mechanics. You'll probably do this yourself. If your business gets quite large, you may want to

hire an assistant (a service manager) for it. You must understand all the repair work done in the shop. You also must know how much time is needed for each job, and how much it will cost. You will listen to customers and figure out what needs to be done on their cars. You will explain things to customers and handle their complaints. You'll fill out work orders and assign workers to jobs for the day. You'll also help on tough repair problems and inspect all work after it's done.

Filling customers' work orders and keeping financial records. If you like to work on cars, you may not like "book work." You can hire a bookkeeper to do these tasks if you want. But remember that it costs money. Even if you have someone to help, you should check the books from time to time yourself.

You will probably want to do the following tasks yourself:

- hiring, training, and firing workers; and
- advertising, setting prices, and making important decisions about the future of your business.

The kind of workers you hire depends on the kind of work you want them to do. Write down what you expect of each worker before you hire them (a job description). Then hire as few workers as possible (to keep expenses down) and still get the work done. Write a job description for yourself, too. Make sure that you do overall managing and decisionmaking.

Hiring Workers

In hiring workers you'll have to decide on the work experience, education, and personal qualities you want them to have. You'll probably want your mechanics to be:

- experienced and/or trained in car repair;
- dependable;
- eager to learn new things and to tackle problems; and
- able to get along with people and work on a team.

The wages you offer will depend on workers' skills and experience and the area you live in. Try to offer good wages so you can get workers that are as good or better than your competition's. To find good workers, talk to friends and customers. Check the state employement office, the Veteran's Administration, and local schools and colleges. Write a "catchy" want ad for the newspaper. It should describe the kind of person you're looking for and the work you want done.

To choose the best workers from the people who apply, interview those whose job applications look good to you. Ask questions about the kinds of equipment they've used and the tasks they've done in past jobs. Ask what they're good at and what they don't enjoy. Find out if they're willing to work during the hours you need them (including overtime). Explain the job at your shop. Tell them who their boss will be and what a typical day will be like. Check their references. Be careful about hiring people whose former bosses give poor reports. Choose your workers carefully. That way you won't lose money and time by having to replace them. You may want to hire new employees on a trial basis to see whether they'll work out.

Training Workers

After you have hired a worker, you should give several kinds of training. You should do the following things.

Orient workers on the first day. When workers start work, explain how you do things in your shop. Show them where tools are and how to use equipment. Explain how to read work orders and how work is divided among workers. If they will deal with customers or do paperwork, explain these tasks as well.

Train workers in new skills. Your workers may not know how to do everything you want them to do. This means you must spend time teaching

them. You may have to train them in certain repair jobs or in the use of certain equipment.

Plan for more training as needed. Even good workers who've been with you for a long time will need training. Cars and repair equipment are always changing. Your workers must keep up-to-date. Mechanics should be learning more all the time. You can send mechanics to training programs or arrange for training sessions on the job. You should also encourage them to study auto service manuals and to take classes at night. Have your mechanics pass state certification tests, if possible. This helps make them better mechanics. Also you can improve your business image by mentioning their training in your ads. State tests may soon be required of all mechanics.

Keeping Your Workers Happy

The success of your business rests on whether your employees come to work as scheduled, do their jobs well, and are good with customers. To help keep the quality of their work high, you should talk with workers. Praise and correct them as needed. Try to solve all problems as soon as possible. Be loyal and fair to workers. They will be happier and will do better work.

Summary

Being a good boss means choosing your employees carefully, training them well, and working every day to keep them happy. If you hire the right workers and keep them on the job, your business will have a better chance for success.

Learning Activities

Individual Activities

1. List six kinds of tasks that must be done in an auto repair business. Put a star next to the task which you would be most likely to give to an employee instead of yourself.

2. Find two or three ads in the newspaper for auto mechanics. List all the kinds of information the ads give. Which ad do you think is the best? Why?

3. Write a job description for Meg's job. Include a job title and all the tasks that Meg will probably do. Include "extra" tasks not mentioned in the text that most mechanics have to do. Explain how her job will fit in with Matt's job.

4. Using the job description you wrote and the sample ads you collected, write a want ad for Meg's job. Make it short, catchy, and informative.

5. Suppose you are running a shop that repairs and services all kinds of American cars. You have a bookkeeper/cashier and two mechanics. One mechanic specializes in tuneups and diagnosis, and one in major engine work. You are doing repair work and acting as the service manager and parts person. Even with another employee, you figure that you'll be overworked.

   You decide to hire another worker. If you have to hire one of the following people, which one would you choose? Give a reason for your choice.

a. A foreign car mechanic with 10 years' experience who has been a service manager.
b. A general mechanic with four years' experience who worked on transmissions in his last job.
c. A parts person who's been out of work for a few years and is willing to accept low wages.
d. A new graduate of a one-year automotive repair program who has never had a job.

Discussion Questions

1. Do you think Meg was a good choice for Matt's job opening? Why, or why not?

2. Do you think that it would be difficult for a business owner to repair cars half the time and handle customers and business matters the other half? Do these two kinds of work require different abilities and personal qualities?

3. Do you think a business person with little mechanical knowledge could succeed as a car repair shop owner/manager? What about a mechanic with little business knowledge? If you answer yes, tell how you think someone could do it.

4. List some of the problems an auto repair shop owner might have in getting the work done and in dealing with employees.

Group Activity

Divide into several small groups and develop a "hiring problem" for the rest of the class to solve. Your repair shop is somewhere in its first year of business and you need to hire a new worker.

1. Write a few paragraphs describing the services your business offers, the workers you have, and the way work is divided.

2. Create a want ad for the new position you want to fill.

3. Also write descriptions of three people who have applied for the job.

4. Present your case to the class and have them select the best applicant. Tell whether you agree with their choice.

UNIT 5

Organizing the Work

Goal: To help you organize the work of your auto repair shop.

Objective 1: Fill out a customer work order for a particular repair job.

Objective 2: Fill out a weekly appointment schedule for your customer jobs.

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MATT RUNS THE SHOP

Matt expected to have a lot of business on brake jobs in June. Meg could work full-time if they got enough work. If they didn't she'd like to have one full day off each week.

Matt required his brake-job customers to call up at least a day ahead and make an appointment. He wrote these all on a calendar. He could schedule two cars a day for brakes since these jobs usually took about three hours each. Matt tried to fill the mornings first. Then they had a little extra time in case a problem came up with the brakes or they had to stop to do emergency work.

Customers could just drive in for tuneups, which took about an hour, and oil/lubes, which took about a half-hour. Meg usually handled all the customers who made brake-job appointments. That way she could know ahead of time when she'd be needed and when she could take time off. Matt did the "drive-in" jobs. Meg helped him if things got busy or if he had to leave the shop.

On Friday, June 18, Leroy Johnson called in. He had seen Matt's ad and wanted to schedule a brake job for Tuesday of the next week. Matt scheduled Mr. Johnson for Tuesday June 22 at 9 a.m. Manuel Rivera called in and wanted a brake job "any time next week." He also wanted a tuneup while his car was in the shop. Matt put his name down for Monday morning. Barbara Korecky needed an afternoon appointment for a brake job. She and Matt agreed on Tuesday afternoon at 1 p.m. During that week seven out of the ten time slots were filled. Matt had lots of smaller jobs, too. He felt he had done pretty well.

Organizing the Work

Your goal as an auto repair shop owner will be to bring in lots of customers. However, the more customers (and workers) you have, the more organized you must be. You should keep a record of the work each customer wants to have done (a work order). You should also make out a work schedule so that all your repair jobs get done on time. After you organize the work, you or your workers must do the work. Then you must explain to the customer what you've done and receive payment.

Describing the Work

When customers come in for repair work, find out what they want done. Then fill out a work order. On the work order, you and the customer agree to what will be done and the "ballpark" costs. Customers should read the work order and sign it before the work is done. Otherwise, they are not required by law to pay for the work.

Write on the work order the date, your name, the time the customer wants the work finished, and:

Information about the customer and the car. This includes the customer's name, address, and phone number. You should also put down the year, make, and model of the car. Include the car license number and the mileage reading, too.

Description of the work, comments, and description of parts and supplies. You can often just check off the services your customer wants. You may have to take detailed notes. Under comments you may need to describe special problems you found or extra services needed. You may find that more work must be done. Then you must call the customer

to get an OK before you do it. You should also list any parts and supplies you will use. You may have to finish filling out certain information in these sections after the work is completed.

Estimated cost and actual cost of the work. You must list an estimated cost of labor plus parts on the work order before the work is done. You probably should make your estimate a bit high to cover extra parts and labor that might be needed to do the work. The amount the customer actually pays can be lower than your estimate. If the actual cost is higher, however, the customer does not have to pay the bill.

WORK ORDER

FROM: Matt's In-And-Out Auto Repair Shop
1011 Main Street
Boise, Idaho
WORK FOR: Manuel Rivera
88 El Camino Real
Boise, Idaho
PHONE:

DATE: June 21
WORK ORDER NO: 981
ORDER TAKEN BY: Matt
TIME WANTED: 1 p.m.

YEAR, MAKE, MODEL: 1979 Chevy
LICENSE NO: ABC-709
MILEAGE: 80,000

QTY.	DESCRIPTION OF PARTS	COST	DESCRIPTION OF WORK	COST
			Tuneup: 4 Cyl.	
			Brakes: Drum-type	

CUSTOMER'S AGREEMENT:
I hereby authorize you to perform the above work and to use necessary materials. I agree to pay the amount estimated above. You and your employees may operate my car for inspection, testing, or delivery at my risk. You will not be responsible for loss or damage to car or articles left in it.

Customer's Signature:
X
WORK DONE BY: MLB

TOTAL ESTIMATED COST $125.00

COMMENTS: Rear left tire bald, should be replaced.

TOTAL PARTS:
TOTAL LABOR:
TAX:
TOTAL COST:

Customer's agreement. On the rest of the work order, you make certain promises to the customer. This section of the form lists promises the customer makes to you. This agreement is meant to protect you from financial and legal problems that might result from working on a customer's car.

Give the work order to the mechanic doing the job. He or she will make a note of any extra work that needs to be done. He or she should return the form to the office where all the costs are listed and the total cost is computed. When customers pick up the cars, give them a copy of the form and collect payment for the work.

Scheduling the Work

In some cases you may run your repair shop on a "first-come, first-serve" basis. Often you will want to arrange with customers ahead of time when you will do their work. If you take appointments, it will help you to organize your workers' time for the day. Look at your calendar. See which days are busy and which are not. Then you can try to schedule work to even up the workload, if possible.

In scheduling customers' jobs, you may want to cram your schedule full. Customers often cancel at the last minute. Remember, however, that your workers may get sick and stay home. So don't take on too many jobs in one day. As you get practice in scheduling you'll figure out the best system for you.

First you decide on the day you'll take your customers. Then you must decide which workers will do the jobs. If your workers all do general repair, you can pass out work as it comes in. If your workers have different specialties, you'll have a bigger job of scheduling. Remember that one mechanic can't rebuild two engines on the same day!

A copy of the work schedule Matt used to plan his brake jobs for the week appears on the next page.

WORK SCHEDULE: WEEK OF JUNE 20

	Monday	Tuesday	Wednesday	Thursday	Friday
9	Rivera, Chevy Brakes/Tune	Johnson, Ford Brakes			
10	"	"			
11	"	"			
12	Lunch	Lunch	Lunch	Lunch	Lunch
1		Korecky, Dodge Brakes			
2		"			
3		"			
4					

Checking the Work

You want your customers to be happy with your work so they will keep coming back. You want them to tell their friends about your shop. It is also important to do good work to help protect your customers from car accidents and breakdowns. Make sure you check all repair work after it's finished. Take a test drive, if necessary. Explain to the customer what you've done and any other repairs that are needed.

Summary

To organize the work in your car repair shop, you should record what each customer wants you to do by using a work order. If you take appointments, you should keep a record of the work to be done each day by using a work schedule. After work is completed, you should check it. That way you will keep work quality high and your customers safe and happy.

Learning Activities

Individual Activities

1. Visit a car repair shop and ask for a copy of their work order form. Find out how this form is filled out and used. Find out how estimates are made. Ask whether customer jobs are scheduled "by appointment" or on a "first-come, first-serve" basis. Find out how jobs are passed out to mechanics.

2. The following people want to schedule brake jobs with Matt the week of June 20.
   - Ray Wheeler wants his brakes fixed on his Pinto.
   - Debbie Mason has a Dodge Colt. She wants her brakes fixed plus an oil/lube job.
   - Melissa Frank wants a brake job on her Oldsmobile.
   - Wally Martin's Mazda needs brake work.

   Fill in the names of these customers on the work schedule in the text. Remember that Meg wants to have one full day off if possible.

3. Complete the work order on the next page for Leroy Johnson's brake job. Put an asterisk (*) by the parts that were completed after the work was done. You don't need to fill in Total Parts, Labor, Tax, or Total Cost. Assume that when Meg was working on the car she found out she needed to replace the cap to the master brake cylinder. This was not included in the "package" price. She also wrote a note to Leroy saying he needed his wheel alignment adjusted.

WORK ORDER

QTY.	DESCRIPTION OF PARTS	COST	DESCRIPTION OF WORK	COST

CUSTOMER'S AGREEMENT:
I hereby authorize you to perform the above work and to use necessary materials. I agree to pay the amount estimated above. You and your employees may operate my car for inspection testing, or delivery at my risk. You will not be responsible for loss or damage to car or articles left in it.

Customer's Signature:
X_____
WORK DONE BY: _____

TOTAL ESTIMATED COST $86.00

COMMENTS:

TOTAL PARTS:
TOTAL LABOR:
TOTAL PARTS AND LABOR:

TAX:

TOTAL COST:

Discussion Questions

1. Why is the work order considered a legal document? Why is such a paper needed in the auto repair business?

2. Discuss how to prepare an estimate for a "parts and labor" type job. How can flat rate manuals help you?

3. Why do many car repair shops make appointments instead of taking customers on a "first-come, first-serve" basis?

4. Discuss the following quote from Henry Chew: "I don't trust car mechanics. They charge high prices and they don't even fix your car. Sometimes I think they don't even open the hood." Do you think there is any truth to what Henry says? What could a car repair shop owner do to change Henry's mind?

5. Look at the following part of a work order for Mo's E-Z Repair Shop. How is it different from Matt's work order? Why? How much does Mo charge per hour for labor?

QTY.	DESCRIPTION OF PARTS	COST	DESCRIPTION OF WORK	COST
1	Freeze Plug		Replace left rear freeze plug	
			Flush radiator	
2	Coolant		Estimate: 2 hours labor @ $30.00/hr. plus $30.00 in parts	
3	Radiator Products (cleaner, protector, sealer)			

Group Activity

Suppose you have two mechanics in your auto repair shop. You are the service manager and don't do any repairs yourself. Decide on the services you'll offer and whether your mechanics will have specialties or not. Then, in a small group, role play a typical day in your shop.

1. Talk to three customers who want their cars repaired on a certain day and find out what work they need done.

2. Complete a work schedule for the day. List the customers' names and repair work desired, the name of the mechanic who will do the work on each job, and the hours each job will take. (Refer to a flat rate manual if you need to.)

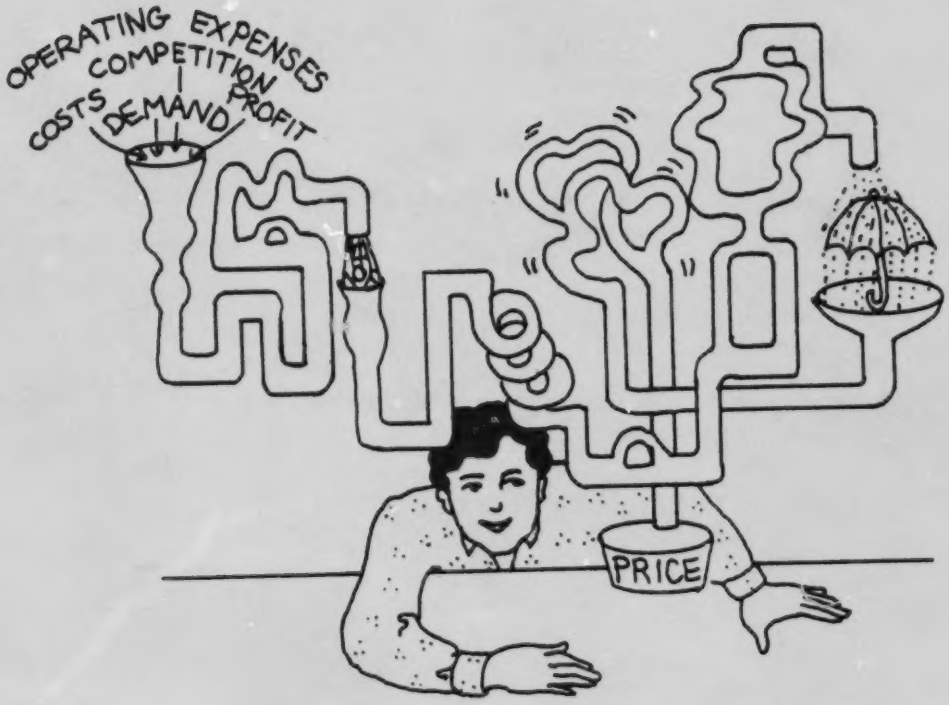
UNIT 6

Setting Prices

Goal: To help you decide on the right prices to charge for your auto repair shop.

Objective 1: Pick a good "flat rate" to charge for a specific "quick service" repair job.

Objective 2: Pick a good price to charge for labor for general car repair jobs.


OPERATING EXPENSES
COMPETITION
COSTS
DEMAND
PROFIT
PRICE

MATT DECIDES ON PRICES

Matt felt that customer demand was quite high for his service. "More people are getting their cars fixed now instead of buying new cars. People are willing to pay for good service because they want their cars to run well and save gas. On the other hand, I want to keep my prices low so I can compete. I'm willing to cut my profit to get customers at first."

Matt had to decide on the price he'd charge for a disc/drum brake job. He visited repair shops to find out exactly what they included in a brake job and what they charged. Prices ranged from $89.95 to $95.00.

Matt figured his costs for doing a brake job. He kept in mind that some cars would need more work than others. His flat rate would be an average of the costs for all the jobs. He figured that auto parts and supplies would average about $18 for each job. He divided his monthly operating expenses ($2,700) by 160, the number of hours his shop was open in a month. This was what he'd need per hour to cover his rent, advertising, etc. He multiplied by 3 since it would take 3 hours for most brake jobs. Matt found he'd need $50 to cover operating expenses for each brake job ($16.88 x 3 = $50).

Matt needed to make around $650/month or $12 per job to cover profit. This included what he'd need to buy more equipment. He didn't include any salary for himself. He would live off his savings and his wife's income for the first year. Adding the amounts he'd need for parts/supplies, operating expenses, and profit, Matt came up with the price of $80 for a brake job. He compared this with the prices of his competition. He decided he could raise his price to $85.95 and still get plenty of business.

Setting Prices

Pricing is an important part of any business. If your prices are too high, you lose customers. If your prices are too low, you can't pay your bills. Matt tried to "balance" many things when he set his prices. He wanted to make them "just right." There are two ways to set prices in an auto repair shop--"flat rates" and "parts and labor." The parts and labor method is most common. In either method, you must think about five main things in setting prices:

- cost of goods sold;
- operating expenses;
- profit;
- competition; and
- customer demand.

Two Ways of Pricing

You may set your prices in your auto repair shop in two different ways.

You may charge a flat rate price as Matt did. This means that for a certain type of job you charge all your customers one price. Customers with "old clunkers" pay the same amount as those with newer cars that require less work and fewer parts. You may charge a flat rate if you can easily figure out what a good "average" price is.

You may want to offer lots of services on many kinds of cars. Then it would be too hard to figure out flat rates. That's why most general repair shops charge customers for parts and labor separately. This way, the total price for a certain job is higher for a car in poor condition than for a car that is in good shape. For parts and supplies, you will

charge the amount paid for them plus a "markup." The average markup on parts is around 30%. The main decision you must make is how much your hourly charge for labor will be (labor = operating expenses + profit).

Use one of these methods to decide on your prices. Then raise or lower your price a bit, depending on what your competition is charging and how much your customers want what you have to offer.

Costs of Goods Sold

This cost refers to the amount you must spend on goods that you resell to the customer. This means the parts and supplies (like oil and transmission fluid) that you put into the customer's car. You'll need to figure out how much you spend on parts and supplies for a job. If you charge flat rates, you add parts to your other costs and give the customer the total cost only. With "parts and labor" prices, you charge the customer the amount you spent plus markup. You list the cost for parts separately on the bill.

Operating Expenses

In setting your prices (by both methods), you must include money to help pay the costs of running your business. These include wages for your workers, rent, utilities, depreciation and repairs on equipment, advertising, office supplies, and other expenses. Depreciation is the amount that your equipment reduces in value each year due to "wear and tear." Figure out how much you'll need to cover these expenses in an hour of shop time. First estimate what your operating expenses will be for a month. Then divide this figure by the number of hours your shop is open.

Profit

The money you'll need for your salary, bank payments, and business expansion is called profit. You should decide ahead of time how much profit you want your business to make in a month. If you don't plan ahead you may not make any profit.

You may decide not to take out any salary for yourself for the first few months. As your business "catches on," you should certainly add money to your price to cover salary for yourself. In your monthly "profit goal," you should also include what you'll need to buy new equipment and do renovations.

Competition

It is also important to know what your competition is charging for the same repairs. Your price doesn't have to be exactly the same as theirs because every business is different. Your price should be similar, however. If possible, try to attract customers by offering lower prices, like Matt did. Do not make your prices so low, however, that you aren't making a profit. You may not be able to offer lower prices. If so, make your service better and let your customers know that it's better. Then they won't mind paying more.

Customer Demand

People will always need car repairs. The price you can charge, however, will depend on what people are willing to pay. If there are only a few shops like yours nearby, you can probably charge a fairly high price. If your specialty is fixing expensive cars for wealthy customers, your price can probably be a bit more, too. If your mechanics are the best in the area, you can also charge more.

But, if the trend in your area is to buy new cars (which need fewer repairs) or to do "fix-it-yourself" auto repair, you may have to charge less to get business.

Summary

There are two ways of setting prices for car repair--the flat rate method and the parts and labor method. You need to think about many of the same things in setting prices by either method. You should think about how much you pay for parts, what your operating expenses are, and the profit you want to make. You must also study the prices of your competition and find out what customers are willing to pay. As time goes on, study your prices to see if they are still right for you. Change them if you need to.

Learning Activities

Individual Activities

1. Read the following statements and indicate whether they describe the flat rate method of pricing or the parts and labor method.

   ____ This method is used by most general repair shops.
   ____ A customer would probably prefer this method if his or her car were in poor condition.
   ____ A business owner must think a lot about the cost of parts in using this method.
   ____ With this method, customers might not know ahead of time exactly how much they will have to pay for a job.

2. List the five things you must think about in setting prices by the flat rate method.

3. Find out the prices charged by two repair shops in your town for a disc/drum brake job. If possible, talk to two shops that use the flat rate method of pricing. Find out what services a customer gets for this price. For example, does each shop check tire wear and alignment or take a test drive? Compare the prices of the two shops. Which is a better price and why?

4. Walter Moore has a repair shop for American cars that has been open for several years. He uses the parts and labor method of pricing. His monthly expenses run around $4,000 a month and his monthly profit goal is $2,000. His shop is open 200 hours a month. About how much do you think his hourly charge for labor should be?

Discussion Questions

1. What do you think was the lowest price Matt could charge for his brake job? What was the highest? Explain why you answered the way you did.

2. Do you think Matt made a good decision in setting his monthly profit goal so low? Why, or why not?

3. Suppose you owned a brand new auto repair shop. Do you think you could go without a salary for a year in order to keep your prices low and attract customers? If so, how could you do this? Is there anything you could do to start bringing in customers and making profits sooner?

Group Activity

Pick a certain kind of car repair your group wants to have done. Ask two or three repair shops in your area to give you an estimate of the costs of parts and the cost of labor for the job. Choose shops that you would expect to charge different prices. Find out how long the job will take at each shop.

1. Figure out the hourly labor charge for each shop by dividing the total cost for labor by the number of hours required for the job. How do the labor rates compare?

2. If labor rates are different, how could you explain this? Are there any differences you can think of about these shops that would make customer demand different for their services? Do the shops have different kinds of competition that might affect their prices?

3. What other factors could cause these differences in prices?

UNIT 7

Advertising and Selling

Goal: To help you advertise and sell the services of your auto repair shop.

Objective 1: Choose the one way to advertise your business.

Objective 2: Develop a printed ad for your shop.

Objective 3: List several ways of keeping your customers happy.

65

MATT SPREADS THE WORD ABOUT HIS SHOP

When Matt began to plan his advertising, he called his cousin Barbara. She worked for an ad agency and had lots of good ideas. "I want to flood the area with several kinds of ads about my business. Of course, my old customers will come to me anyway since they trust my work. But I want to offer good, quick service to lots of customers. Why do quick work if I have large gaps of time between customers? I need to advertise to fill in these gaps."

Barbara thought Matt should use the Yellow Pages, direct-mail fliers, the radio, and the local newspaper. Of course he'd also have to get a large sign for his building. He would need business cards printed. He also thought about putting his business name on his mechanics' uniforms and his work orders.

"One person who owned a quick-tune franchise told me I should spend 10% of the money I plan to make every month on advertising. Since my business is new, I decided to spend more for the first six months. That's a lot of money. But as I see it, I'm spending money to make money. If I want to succeed, I can't afford not to advertise."

Matt decided what he wanted to say in his ads. Barbara designed a logo. They used the logo and the same message for the Yellow Pages, newspaper, and fliers. The ad department of the radio station helped them write a radio ad.

For the month of the grand opening, Matt took out a one-column Yellow Pages ad ($50/month), put six large ads in the local paper ($600), and put 50 30-second ads on the radio ($250). The Yellow Pages ad, of course, would appear in the phone book until the new edition came out. Matt also mailed out 500 fliers to people who lived close to his shop ($100). He decided not to give special discounts since he offered a "low everyday price."

Advertising and Selling

To get people to use your car repair services, you must tell them about your business by advertising. Decide which media you want to use and design your ads so they stand out. Getting along with your customers is also very important. You'll want them to come back and refer their friends.

How to Plan Your Advertising

When you plan your advertising, ask yourself these questions.

- Who are the people I want to reach?
- What do I want them to know?
- When should I advertise, and how often?
- How can I reach people best? (Which media will I use?)
- Why am I trying to reach them (sale, opening a new business, offering new services, etc.)?
- How much can I afford to spend?

As you answer these questions, you will be able to decide what your ads will say and what they will look like. You will also be able to plan a monthly advertising budget and a time schedule.

What Media to Use

Here are several good ways to advertise your car repair shop:

The Yellow Pages. These pages in the telephone book are a good way to reach a large number of people. People often look for services there. Ads for automobile repair shops fill up a large section of the

Yellow Pages. You almost have to put in a fairly large ad, just to keep up with your competition. Talk to the phone company several months in advance. Your ad should be in the phone book when your business opens. Plan to keep your ad in the Yellow Pages the whole time you're in business. It will remind former customers that you're still around. It will also tell new customers about you.

Fliers and postcards. These include ads you send out by mail or hand out. With fliers, you can decide exactly who you want your customers to be and then mail only to this group. You can also pass out fliers to the homes in your area. Or you can put them on cars of people who work or shop near your business, too. Because of printing and postage costs, fliers are a fairly expensive way to advertise. However, they are personal and bring good results.

If you keep good records, you will know when your customers should return for regular service (such as an oil change). You can send "reminder" post cards in the mail. Your customers will be thankful, and you'll get more "return" business. If you design your fliers in a certain way, you can also give them to customers when they come in for the first time. The fliers will answer most of their questions about your services and guarantees.

Radio. This method can reach people when they are thinking about car repair-- while they're in their cars. The hours people are going to and from work are good times for you to advertise. Short "spots" on local radio don't cost very much and they reach the people in your area. To succeed, however, your ads should appear often. For example, Matt's ad was on the radio three times a day, four days a week all year long.

Newspaper advertising. This method is not as common for car repair shops. But it can also be used. People usually won't drive very far to get their cars fixed. So make sure you use local papers. That way every reader is a possible customer. The best way to succeed is to

advertise regularly--for example, once a week. Sometimes "one-time specials" will also bring in customers.

What to Say in Your Ads

You should have a purpose for each ad and should aim at a certain group of customers. For example, Matt aimed his ad for "drive-in" tuneups at busy working people.

Your printed ads should have an illustration and a headline in your ad to attract attention. The main text of the ad--the copy--should give information about the kinds of services you offer. It also should tell why your business is special. The ad should also give the name, address, and phone number of your shop (identification). All these parts should be organized in a layout that is nice-looking and easy to read. People don't read ads carefully. So keep the number of words down. Just give them the general idea of what you do and why they should come to your shop.

How to Keep Your Customers Happy

Two of the best ways to get business are to develop regular customers and to get them to send in their friends. Treat them well--every time. To get along with your customers, do the following things.

Build up a good reputation. Develop a good business image so that people will trust you from the start. If customers come in feeling good about your shop, chances are higher that they'll be happy with your service.

Have good equipment, skilled mechanics, and fair prices. The best way to keep customers happy is to do a good job. Charge fairly for the work you do. Customers should only pay for the work you do, not for

what you think you can "get out of them." This is not only good business. It's what the law requires.

Communicate. You should listen to your customers and figure out what services they need. Tell them what you can do and what you can't do. When the job is finished, explain what you found. If you see other repairs that need to be done, tell them. Educate your customers about cars if you can. They'll be happier if they understand what you're doing.

Keep good records and use them. Fill out customer work orders carefully. Write down everything your customers tell you to do, and make sure it's done. Look at the work orders when customers have questions about the work. If the customer forgot to tell you about something, you can't be blamed for not doing it.

Handle problems calmly. When you do make mistakes or problems come up, solve them as soon as possible. Be polite and calm. If something wasn't really fixed, repair it again without charge, if possible.

Summary

To make your business known in your town, use some of the following methods--the Yellow Pages, fliers, the radio, and newspapers. Ads should be catchy and informative and have five main parts. One of your best advertisements is satisfied customers. If you work at keeping them happy, they will come back and send their friends.

Learning Activities

Individual Activities

1. List three qualities of a good ad.

2. List at least four pieces of information that should appear in an ad (for example, the name of your service).

3. In the Yellow Pages, find two or three ads for the same kind of auto repair shop. Label the five parts of each ad (headline, illustration, copy, identification, and layout). Write a few sentences explaining which ad you like best and why.

4. Design a logo and Yellow Pages ad for Matt's shop. Refer to Unit 1 of this module for more information about his services and business image.

Discussion Questions

1. List several different kinds of services auto repair shops can offer and different business images they can have. Look at sample ads in the Yellow Pages if you want. List qualities of a good business name and logo for several different kinds of shops. Think of a few examples.

2. Discuss why you should and why you shouldn't advertise through the Yellow Pages, fliers, newspapers, and the radio.

3. List some other ways of spreading the word about your business. Try to think of several "free or almost free" ways.

4. Matt decided to spend a lot of money on advertising. How could he find out whether he was spending too much (or too little)? How could he figure out which media were most successful for him?

5. Do you think it would be hard to keep customers happy in an auto repair business? Why, or why not? Do you think following the guidelines in the text would help? List other things you could do as well.

Group Activity

1. Assume that your group is planning advertising for its own auto repair service. You can spend $800 on advertising for the first month of business and $500 for each month after that. Below is a list of costs for various kinds of advertising you could use.

Kind of Advertising	Cost
Direct-mail fliers	$.20 per flier
Yellow Pages:	
Small ad	$50 per month
Large ad	$75 per month
Radio	$5 per 30-second "spot"
Newspaper:	
Small ad	$25 per day
Large ad	$100 per day

On the advertising plan on the next page, list the kinds of advertising you decide to use and how much you plan to spend on each kind. Try to use your money in the best way you can.

ADVERTISING PLAN

Kind of Advertising	Cost of Each Kind of Ad	Total for Month
For Start-Up Advertising (First month)		$800
For Monthly Advertising		$500

2. Your group should pick a business name and logo for a certain kind of auto repair business. Design a printed ad. Make it clear and catchy. Artwork doesn't have to be fancy.

UNIT 8

Keeping Financial Records

Goal: To help you learn how to keep financial records for your auto repair shop.

Objective 1: On a work order, fill out costs for a car repair job.

Objective 2: Fill out a cash sheet for a certain business day.

MATT'S MONEY GOES IN-AND-OUT

Matt decided to take only cash at his shop. "People can give me dollars and checks. But I'd like them to pay me before they take their car. That's one reason I can give such good prices. I don't have to pay a bookkeeper to keep track of credit customers."

Matt's main customer record was the work order. He used it to keep track of the work he needed to do. He also used it to request payment from the customer. He filed one copy of the work order by date and month. He used this file to check up on the amount of money he brought in every month. He also used this file to send reminder notices to customers about oil changes and tuneups. In the other file, he filed work orders by the customer's last name. He could look here if questions came up about the past work he had done for a customer.

On June 22, Leroy Johnson and Barbara Korecky paid $80.91 each for their tuneups ($79.95 for the job plus tax on the parts). Matt also did four tuneups and lube/oil/filter jobs that day--two at $54.84 each and two at $56.90 each (his prices for 4-and 6-cylinder cars). He collected payment for three of the jobs by check and the rest by cash.

That day Matt also had to pay a bill of $148.50 for tuneup parts, and a phone bill for $49.87. He paid these by check. He also spent $15.04 for coffee supplies. He paid Meg $320 for last week's wages, too.

In his checkbook Matt wrote down the information about the checks he'd written. At the end of the day. Then he counted all the money he'd received that day and filled out a deposit slip for his checking account. He entered the amount of the deposit on his check stub. He also filled out a daily cash sheet of what he had taken in and spent that day.

Keeping Financial Records

Keeping financial records is a must for all auto repair shops. Your records give you information you need daily. They also help you prepare certain monthly and yearly reports. You can use these to make important business decisions. This unit discusses records that will help you.

Cash or Credit?

You may want to run your shop on a cash-only basis. With this system you are paid for all your repair work the day you do it. Few records are needed. You may want to accept major credit cards as a service to customers. With this system, you don't have to wait for payment. The credit service pays you and then bills the customers. The credit service, however, charges you a fee for its services. You could also offer your own business credit. You must keep records of what your credit customers owe, and send them monthly bills. You also must remind people who are slow in paying. Due to the extra paperwork and the problem of non-payment, you may want to avoid this system.

The Work Order Form

The work order form is a kind of sales slip. It is used to:

- record the work you have done for the customer;
- request payment from the customer; and
- prove that the customer has paid for the work.

On a work order form, you must list the: (1) cost of labor and parts; (2) sales tax on parts; and (3) total cost of the job. Here is

part of the work order Matt filled out for Leroy Johnson (in Unit 5). This time all cost information has been added.

QTY.	DESCRIPTION OF PARTS	COST	DESCRIPTION OF WORK	COST
1	Brake Cylinder Cap (old one leaking)	$4.00	Brakes: Drum-type	$79.95

CUSTOMER'S AGREEMENT:
I hereby authorize you to perform the above work and to use necessary materials. I agree to pay the amount estimated above. You and your employees may operate my car for inspection, testing, or delivery at my risk. You will not be responsible for loss or damage to car or articles left in it.

Customer's Signature:
X_____
WORK DONE BY: MLB

TOTAL ESTIMATED COST	$86.00
COMMENTS: Wheel alignment needs adjusting.	
TOTAL PARTS:	4.00
TOTAL LABOR:	79.95
TAX: (6%)	1.32
TOTAL COST	$85.27

Matt charges his customers a "flat rate" for most jobs. His price of $79.95 for a drum brake job includes the cost of all labor and standard parts. This cost is listed in the top right section called Description (and Cost) of Labor and in the bottom right section of the form on the line called Total Labor. Matt had to charge Leroy extra for one special part since it was not included in the flat rate price. He listed the cost of this part ($4.00) in the left section called Description (and Cost) of Parts and in the bottom right section under Total (Extra) Parts.

Matt had to pay sales tax to the state on auto parts and supplies (but not labor). He figured out the total value of the parts he used ($18 for standard brake parts and $4 for the special cap), and multiplied it by 6%. He entered the total under Tax. Then he added all the figures and got the Total Cost of Leroy's job.

In your shop, you may charge customers a parts plus labor rate. To figure out your total labor, you should decide how many hours it took for the job and multiply this by your hourly rate. The cost of all parts should be listed under Total Parts.

The Daily Cash Sheet

You will take in money from cash customers every day your shop is open. If you have credit customers, you will get checks in the mail for past jobs. You will also have to pay bills coming into your business. While you may not do this every day, you will do it throughout the month. For example, you may buy office supplies one day and pay rent another.

You'll want to know how much money comes in and goes out every day. If you use a daily cash sheet, you'll have a complete list of all cash revenues and expenses. A sample cash sheet appears below (the one Matt completed on June 22). You may use a different form as long as you record the same information daily.

DAILY CASH SHEET

Cash Receipts		Cash Payments	
Cash Sales	$385.30	Salaries	$320.00
Credit Sales		Building Expenses	49.87
		Equipment and Furniture	
		Inventory	148.50
		Advertising	
		Other	15.04
TOTAL CASH RECEIPTS	$385.30	TOTAL CASH PAYMENTS	$533.41

Daily records are summarized from time to time to find out how the business is doing. Two of the forms you will use are the profit/loss statement and the balance sheet. You will learn about profit/loss statements in the next unit. If you do go into business for yourself, get the advice of an accountant about how to complete a balance sheet.

Summary

You will need to fill out many forms and records in your business. Use the work order form to request payment from customers. Use the daily cash sheet to keep track of the cash going in and out every day. Good daily records will help you prepare financial reports and make good business decisions.

Learning Activities

Individual Activities

1. List three uses of the work order form.

2. Talk to the owner of a local repair shop and find out what kinds of financial records he or she keeps. Does the owner allow customers to charge? Explain how the forms and records are different from the ones Matt used.

3. Look at Matt's work order in Unit 5 for Manuel Rivera's tuneup and brake job. (Remember that Matt charges "flat rate" prices.) Lists all costs and figure out how much Manuel will have to pay. (A brake job is $79.95 and a tuneup is $39.00. Parts included in the flat rate prices are worth $15; sales tax rate is 6%.)

4. Look at the work order filled out by Mo's E-Z Repair Shop in Unit 5, Discussion Question 5. (Mo charges by the "parts and labor" method.) List all costs and figure out how much the customer will have to pay. (It took 1-3/4 hr. to replace the freeze plug and 1/4 hr. to flush out the radiator. The freeze plug costs $2.50, coolant $7.98 a bottle. The other radiator products cost $2.95 each. Sales tax in Mo's state is 5%.)

5. On July 28 Matt had to keep track of the following.
   - Elizabeth Rollins paid $120.03 for a tuneup and brake job.
   - Matt took in a total of $154.20 for all the oil/lube jobs he did.

- Matt paid his rent ($600) and his gas and electric bill ($75.79). He spent $59.17 on brake shoes. He also paid a bill for $200 for some ads he put in a local paper.

Fill out a cash sheet for July 28.

DAILY CASH SHEET

Cash Receipts		Cash Payments	
Cash Sales	$_____	Salaries	$_____
Credit Sales	_____	Building Expenses	_____
		Equipment and Furniture	_____
		Inventory	_____
		Advertising	_____
		Other	_____
TOTAL CASH RECEIPTS	$_____	TOTAL CASH PAYMENTS	$_____

Discussion Questions

1. Why do you think car repair shop owners use a work order with customers instead of the kind of sales slip used by a dress shop?

2. Why should you keep a daily record of cash payments and revenues?

3. What other kinds of records do you think have to be kept in an auto repair shop? What kind of monthly or yearly reports have to be prepared?

4. List several reasons why you would and why you wouldn't offer credit to your customers.

Group Activity

In a small group, describe one to five repair jobs you did in one day in your shop. List all the money you took in (by job) and the money you paid out. Then fill out a daily cash sheet for that day.

DAILY CASH SHEET

Cash Receipts		Cash Payments	
Cash Sales	$_____	Salaries	$_____
		Building Expenses	_____
		Equipment and Furniture	_____
		Inventory	_____
		Advertising	_____
		Other	_____
TOTAL CASH RECEIPTS	$_____	TOTAL CASH PAYMENTS	$_____

UNIT 9

Keeping Your Business Successful

Goal: To help you learn how to stay successful.

Objective 1: From a profit/loss statement for an auto repair shop, figure out the net profit, expense ratio, and profit ratio.

Objective 2: State one way of increasing profits in an auto repair shop.

Objective 3: State one way of changing your services to raise your revenues.

MATT "TUNES UP" HIS BUSINESS

At the end of Matt's first year of business, he made $9,720 in profit. With this money, he bought some tools and had a small amount left over for himself. It wasn't much, but he hadn't expected to earn any salary the first year. He had planned to live on his wife's salary and his savings.

The second year Matt's revenues increased quite a bit and so did his profit. However, he still didn't have a very high salary for himself. He could have made more working for someone else. He said, "I know it takes a year or two to get your business going. So I shouldn't be discouraged. But I do need help."

Matt went to his accountant Peter and asked questions. Peter explained how to study certain ratios on the profit/loss statement. Matt's expense ratio was higher in the second year. That meant that he had spent a larger percentage of his revenues on operating expenses in Year 2 than in Year 1. Matt's profit ratio was lower in the second year.

Peter told Matt that he should be making a 20% profit. He hadn't reached that either year. Peter also pointed out that money coming in for brake jobs in the second year was less than in the first year. At the same time, the money coming in for tuneups had almost doubled. Oil/lube sales were also growing. Matt thought his problem was the brake franchise that had opened up down the street. It was taking away some of his brake business.

After talking late into the night with Peter, Matt decided to do certain things:

- stop doing brake jobs and sell his brake lathe;
- raise prices for tuneups slightly;
- find a parts supplier whose prices were lower; and
- watch his operating expenses carefully.

Keeping Your Business Successful

Your car repair business may grow slowly. Your revenues and profits may be fairly low the first year. However, if you plan well, you can probably succeed. It takes hard work to make your business successful. Even when your shop is doing well, you should keep working to make it better. You should prepare financial reports (such as the profit/loss statement) and study them. You should also look at the market--things in the business world that affect your business (such as new equipment, and customer demand). Then you should take action in your business to keep your business successful.

Study Your Profit/Loss Statement

Using your daily financial records, prepare a profit/loss statement for your business at least once a year. Don't file this report in a drawer. Study it. The more you know about the dollars and cents in your business, the more likely you will be to have a big profit at the end of the year. The profit/loss statement for the first two years of In-And-Out Car Repair appears on the next page. There are five main sections of this form:

- revenues (money coming in from customers);
- costs of goods sold (money spent on auto parts and supplies that are resold to the customer);
- gross profit (revenues minus cost of goods sold);
- operating expenses (money used to run the shop--for example, rent, repairs and depreciation on equipment, interest on your loan, office supplies, advertising); and
- net profit (money left over after buying parts and paying operating expenses).

TWO-YEAR PROFIT/LOSS STATEMENT				
	Year 1		Year 2	
	$	%	$	%
Revenues				
Brakes	16,200		15,000	
Tuneups	27,000		45,000	
Oil/Lubes	10,800		15,000	
TOTAL	$54,000	100%	$75,000	100%
Cost of Goods Sold	$11,880		$16,500	
Gross Profit	$42,120		$58,500	
Operating Expenses				
Salaries	9,300		23,000	
Payroll Taxes	930		2,200	
Rent	7,200		7,200	
Utilities	1,800		2,200	
Office Supplies	360		650	
Advertising	8,600		5,750	
Other	4,210		4,750	
TOTAL	$32,400	60%	$45,750	
Net Profit	$ 9,720	18%		

For Years 1 and 2, dollar figures are listed on the profit/loss statement for revenues, cost of goods sold, and operating expenses. You can figure out the net profit by subtracting costs of goods sold and operating expenses from revenues. (Examples here are from Year 1 of Matt's profit/loss statement.)

Revenues - Cost of Goods Sold - Operating Expenses = Net Profit

$54,000 - 11,880 - 32,400 = $9,720

The profit/loss statement also contains two key percentages for each year--the expense ratio and the profit ratio. These ratios are computed as follows:

$$\text{Expense Ratio} = \frac{\text{Operating Expenses}}{\text{Revenues}} \times 100 = \frac{32,400}{54,000} \times 100 = 60\%$$

$$\text{Profit Ratio} = \frac{\text{Net Profit}}{\text{Revenues}} \times 100 = \frac{9,720}{54,000} \times 100 = 18\%$$

You can use these ratios to compare your expenses and profits from year to year. You can also use them to compare your business with other auto repair shops.

Keep Your Profits High

Business owners usually try to earn a certain profit ratio every year. If your profit ratio goes down, or it isn't as high as you want it to be, there are several things you can do.

Increase your revenues. You can do this by raising your prices or by increasing the number of customers you have.

If you decide to increase prices, make sure your customers will still be willing to come to your shop. If you lose a lot of customers when you raise prices, you haven't gained a thing.

To bring in more customers, you may have to do more advertising. You may also have to hire more workers or increase the hours of the workers you have. It's OK to spend more in order to earn more. Just make sure that you don't spend a lot to bring in a little more business.

You can also raise prices and try to get more customers, both at the same time. This is what Matt decided to do. Customers told him that

his tuneups were the best and the quickest in town. He felt that old and new customers would come to his shop even if he raised his prices.

Keep your costs and expenses low. You should watch the cost of parts and supplies and the operating expenses of your business each year. You don't want them to rise faster than your revenues. Especially watch the cost of auto parts and supplies and the money you spend on salaries. Make sure your workers are doing their best work for what you're paying them. Try to keep other costs low by saving energy and using supplies wisely. Look for cheaper supplies if possible. Make sure that you use your advertising money on the kind that brings in the most customers.

Change or Improve Your Services

Besides making financial changes in your business, you may need to make changes in your repair services. Study the new repair equipment that is available. Find out about new kinds of repair work that may be needed. Study your services and those offered by your competition. Talk to customers. Then do the following things.

Improve your services. Make sure your mechanics stay up to date on new cars and new types of equipment. Listen to your customers' complaints. Check your mechanics' work. If a worker keeps doing poor work, replace him or her. Buy more modern equipment if you think it'll help your mechanics do a better job. Organize your work differently so repairs get done more quickly and you have more time for customers.

Change your services. As time goes on, you may want to drop certain services that are not popular (as Matt did). You may also want to add new services, such as rebuilding engines or doing paint and body work. Offering new services often means buying more equipment. Make sure your new services will pay for themselves before you make any big investments. Also, don't "spread yourself too thin." It's better to do a few things well than to do many things poorly.

Summary

Keeping your business successful is something you have to work at all the time. You need to study your finances and control them in order to keep profits high. A good financial report to use is the profit/loss statement. You should also study trends in your business, the services you give, your competition, and your customers. Then improve or change your services to keep your business popular and up to date.

Learning Activities

Individual Activities

1. Define revenues, costs of goods sold, operating expenses, and net profit.

2. List several kinds of revenues in Matt's business. List three of his operating expenses.

3a. Figure out Matt's net profit, expense ratio, and profit ratio for Year 2. Fill them in on the profit/loss statement in the text.
b. In which year were Matt's revenues higher?
c. In which year was the expense ratio higher?
d. In which year was the profit ratio higher?

4. Matt changed his business in many ways after Year 2. List something Matt did in his business to reach each of the following goals:
   a. to keep operating expenses low;
   b. to keep costs of goods sold low;
   c. to increase revenues; and
   d. to change his services.

Discussion Questions

1. What other changes could Matt have made in his repair services and his "extra" services to bring in more business?

2. Discuss the following quote: "Spend more to make more." How does this apply to an auto repair business?

3. At the end of Year 2, Matt set the following goals for his business:
   - earn 20% profit at the end of Year 4; and
   - earn $30,000 in profit plus enough extra to cover inflation at the end of Year 5 (and every year after that).

   Matt knew he could earn $20,000 a year as a mechanic in someone else's shop. He thought he should earn more as a business owner than he could as an employee. That's why he set his profit goal at $30,000 a year. Discuss Matt's plans using the following questions.

   a. Was it a good idea for Matt to set profit goals for three years ahead? Why, or why not?

   b. Assume that Matt's profit goal is 20% for Year 4. How much should he plan to take in (in revenues) to earn a profit of $30,000?

   c. Do you think Matt could reach his Year 4 revenue goal at the end of Year 3 instead? Why, or why not?

   d. Suppose Matt got a net profit of $30,000 in Year 4 and he had to spend $7,000 on renovations. How much actual salary would he take? List two reasons why, at this time, Matt would be better off as a business owner than he'd be as a mechanic employed for someone else. What are some possible disadvantages of his being a business owner?

Group Activity

Suppose your group had a repair shop like Matt's and your profit/loss statement for Year 2 looked like his. What would you do in Year 3 to increase profits? List financial changes you would make and services you would change. Remember that certain kinds of changes in your business may require increased expenses.

Write a short report on what you plan to do. Explain why you made the decisions you did. Also prepare a "rough" projected profit/loss statement for Year 3 of your business. (A projected profit/loss statement is what you expect you will earn and spend in Year 3.)

SUMMARY

As the owner of an auto repair shop, you will have many jobs to do. Planning is very important. You may want to spend several months on this. This includes deciding on the services you'll offer, picking a business name and "image," and choosing a location. You'll also have to prepare a business description giving details about what your business will be like. You'll present this to the bank along with information about your own finances, a statement of financial need, and other financial statements.

Once your business has started, your everyday activities will include hiring and managing workers, taking work orders from customers, and scheduling work. You'll also have to set prices and advertise your services. You and your accountant will work together in keeping daily financial records and preparing regular business reports. These will help you plan better for the future. As you aim at keeping your business "up-to-date," you will make changes in all areas of your business and will drop or add new services as needed.

In order to own and operate a successful auto repair shop, you need training in auto mechanics, work experience, and the special business management skills we have covered in this module. You may not have had a course in auto mechanics. Then you should take one before deciding to own an auto repair shop. You can learn business management skills through business classes, experience, or by using the advice and example of an expert.

You may not make a lot of money by owning a repair shop. However, you would have the personal satisfaction of being responsible for your business and making your own decisions. Think about how important these things are to you in considering whether you should start your own auto repair shop.

QUIZ

1. Besides having a general car repair shop, you can specialize in certain _____ or certain _____.

2. List three "extra" services (such as free towing) you could offer to attract customers.
   a. _____
   b. _____
   c. _____

3. List three personal qualities you should have to succeed as an auto repair shop owner.
   a. _____
   b. _____
   c. _____

4. Suppose you were driving through an area looking for a location for your business of rebuilding car engines. Which location would be best for you?
   a. A wealthy area where many people have new cars
   b. An area near a junior college with a large auto repair department
   c. A middle class neighborhood where many people have cars over five years old

5. Suppose you own one of two shops in a large city that specialize in Italian cars. The location that would be best for you would be a spot that:
   a. is close to customers, has low rent, needs lots of renovations.
   b. is on the edge of town, has moderate rent, is well equipped.
   c. is on the main street, is large and attractive, has high rent.

6. A business description should contain information about:
   a. the money you have on hand.
   b. the services you plan to offer.
   c. the experience you've had in business.
   d. the way you plan to keep your records.

7. The three main parts of a statement of financial need are:
   a. revenues, expenses, and net profit.
   b. revenues, expenses, and money on hand.
   c. collateral, interest, and total business loan needed.
   d. expenses, money on hand, and total business loan needed.

8. List three qualities to look for when hiring mechanics for your shop.
   a. _____
   b. _____
   c. _____

9. Some jobs in your shop you should do yourself. Which of the following could you most easily give to an employee?
   a. Acting as service manager
   b. Deciding on suppliers of auto parts
   c. Fixing automatic transmissions
   d. Keeping and analyzing financial records

10. List two kinds of training your employees should receive.

    a. _____

    b. _____

11. List three kinds of information that are contained on a work order for an auto repair shop.

    a. _____

    b. _____

    c. _____

12. Suppose Matt can do three tuneups in the morning and four in the afternoon if his schedule is full. His shop is only open five days a week. But he doesn't work Thursday afternoons. What is the maximum number of tuneup customers he can take in a week? (Assume that Meg is busy on other work.)

    a. 20

    b. 25

    c. 31

    d. 35

13. List four things you must think about in setting "flat rate" prices.

    a. _____

    b. _____

    c. _____

    d. _____

14. List three uses of a business owner's net profit.

    a. _____

    b. _____

    c. _____

15. Which of the following would probably be the best type of advertisement to use for a small auto repair shop?

a. TV

b. Fliers

c. The newspaper

d. Highway billboards

16. To make your printed ads successful at bringing in customers, you should:

a. use your logo every time.

b. change your layout every time.

c. make your ads very short.

d. list every service you offer.

17. List two ways to keep your customers happy.

a. _____

b. _____

18. Name three costs that are listed on the work order.

a. _____

b. _____

c. _____

19. List three expenses of your business that might appear on a daily cash sheet.

a. _____

b. _____

c. _____

20. A formula for figuring the profit ratio is:

a. $\frac{\text{Profit}}{\text{Revenues}}$ X 100

b. $\frac{\text{Revenues}}{\text{Profit}}$ X 100

c. Revenues - Expenses

d. Expenses - Revenues

21. List three things you could do to increase your profit in your auto repair business next year.

a. _____

b. _____

c. _____

22. List two kinds of changes you could make in your services in order to increase sales.

a. _____

b. _____

U.S.GPO:1981;791-797/309

PROJECT PRODUCTS

Entrepreneurship Training Components

Vocational Discipline	Module Number and Title
General	Module 1 - Getting Down to Business: What's It All About?
Agriculture	Module 2 - Farm Equipment Repair
	Module 3 - Tree Service
	Module 4 - Garden Center
	Module 5 - Fertilizer and Pesticide Service
	Module 6 - Dairy Farming
Marketing and Distribution	Module 7 - Apparel Store
	Module 8 - Specialty Food Store
	Module 9 - Travel Agency
	Module 10 - Bicycle Store
	Module 11 - Flower and Plant Store
	Module 12 - Business and Personal Service
	Module 13 - Innkeeping
Health	Module 14 - Nursing Service
	Module 15 - Wheelchair Transportation Service
	Module 16 - Health Spa
Business and Office	Module 17 - Answering Service
	Module 18 - Secretarial Service
	Module 19 - Bookkeeping Service
	Module 20 - Software Design Company
	Module 21 - Word Processing Service
Occupational Home Economics	Module 22 - Restaurant Business
	Module 23 - Day Care Center
	Module 24 - Housecleaning Service
	Module 25 - Sewing Service
	Module 26 - Home Attendant Service
Technical	Module 27 - Guard Service
	Module 28 - Pest Control Service
	Module 29 - Energy Specialist Service
Trades and Industry	Module 30 - Hair Styling Shop
	Module 31 - Auto Repair Shop
	Module 32 - Welding Business
	Module 33 - Construction Electrician Business
	Module 34 - Carpentry Business
	Module 35 - Plumbing Business
	Module 36 - Air Conditioning and Heating Service

Related Resources

Resource Guide of Existing Entrepreneurship Materials

Handbook on Utilization of the Entrepreneurship Training Components